

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 OES-03 TRSE-00 EB-07 EUR-12 SS-15 NSC-05

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R 270420Z MAY 75
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 8350
INFO AMCONSUL HONG KONG
AMEMBASSY SINGAPORE
AMCONSUL MEDAN
AMCONSUL SURABAYA

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HONG KONG FOR TREASURY ATTACHE

EO 11652: N/A
TAGS: EFIN ID
SUBJ: SHORT-TERM PERTAMINA DEBT

REF: JAKARTA 4949

1. MARINE MIDLAND (MM), REPUBLIC NATIONAL BANK OF DALLAS (RNBD) AND OTHER BANKS HAVE EXPRESSED CONCERN TO EMBASSY ABOUT PROCEDURAL DDAYS IN BANK INDONESIA PAYOFF OF CREDITS ASSOCIATED WITH L/CS OPENED ON BEHALF OF PERTAMINA. SOME AMOUNTS NOW OVERDUE FOR PERIODS APPROACHING TWO MONTHS. MOST US BANKS ACCEPTING THIS SITUATION WITHOUT UNDUE MALAISE, BUT ONE SYNDICATE MEMBER ASKED SYNDICATE LEAD BANK TOLADVISE BI THAT IT CONSIDERS BEDT IN TECHNICAL DEFAULT. LEAD BANK WISELY REFUSED TO DO SO FROM CONCERN IT COULD JOEPARDIZE ITS FUTURE IN INDONESIA. FROM REALIZATION THAT CONTINUED UNCERTAINTY ABOUT EVENTUAL SETTLEMENT DATE COULD TRIGGER UNFORTUNATE US BANK RE-ACTIONS AND POSSIBLY JEOPARDIZE PRESENT GOI BORROWING EFFORTS AND FUTURE RELATIONS WITH US BANKS. ECON/COML COUNSELOR DISCUSSED PROBLEMS WITH BI MANAGING DIRECTORS
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SIREGAR AND ISMAEL MAY 24. TALKS REVEALED THAT BI EARLIER

MAY 24 GOT SIMILAR ALERT FROM ITS KUHN LOEB ADVISOR DAVID STEIN, WHO HAS BEEN IN TOUCH WITH MM IN NEW YORK. AS RESULT ISMAEL DISCUSSED MATTER WITH BI GOVERNOR RACHMAT SALEH AND MEETING HELD LATER SAME DAY TO CONSIDER HOW DELAYS MIGHT BE REDUCED OR CREDIBLE ASSURANCES GIVEN BANKS ON PROSPECTIVE TIME PERIOD FOR SETTLEMENT. DELAYS RESULT FROM PRESIDENTIAL DECISION TO REQUIRE THREE-STEP PROCESSING OF PERTAMINA L/C COMMITMENTS, WITH PERTAMINA TO CERTIFY VALIDITY OF COMMITMENT, TRADE MINISTER TO APPROVE PAYMENT, AND ON RECEIPT OF BOTH BI WILL PROMPTLY PAY OFF COMMITMENT TO BANKS. BI PROMISES TO ADVISE EMBASSY WHEN DECISIONS TAKEN SO THAT THEY OR WE CAN GIVE REASSURANCE TO BANKS TO CONTINUE THEIR PATIENCE. E/CM COUNSELOR RELAYED RESULTS HIS DISCUSSIONS TO MM JAKARTA REP WHO AFTER TELECON MM NEW YORK ADVISES HIS BANK NOW MORE RELAXED.

2. ISMAEL ALSO INFORMED E/CM COUNSELOR THAT HE REQUESTED DAVID STEIN TO CONTACT NY FED RESERVE BOARD TO DISCUSS SITUATION WITH THEM AND ALLAY ANY FRB CONCERNS ON STATUS OF PERTAMINA LIABILITIES TO US BANKS AND BI BACKING THEREOF.

3. ACTION REQUESTED: PLEASE ADVISE RESULTS OF DEPARTMENT CONTACT WITH FRB AND TREASURY COMPTROLLER BANK EXAMINATION OFFICIALS REQUESTED REFTEL. EA/IMS OR GABER MAY WISH TO CONTACT STEIN TO COMVARE NOTES ON STATUS OF FRB ATTITUDES TOWARD PERTAMINA DEBT PROBLEM. PHONE NY 797-2080.
NEWSOM

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